

# Asia-Pacific Security Studies



## *Oceania's Post-9/11 Security Concerns:*

### *Common Causes, Uncommon Approaches?*

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#### Conclusions

The Pacific Island Countries (PICs) generally share a common set of security concerns, but approaches to dealing with them differ. Among the key concerns are internal divisions and nontraditional threats such as climate change and associated rises in sea level.

Transnational threats such as money laundering and the smuggling of drugs, arms, and humans also receive considerable attention—including by non-PICs—especially in the post-9/11 context.

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While the possibility that terrorists will target the PICs is unlikely, transnational terrorism and its effects have had other consequences for the island states. The international community is now more concerned with the potential for the PICs to be used as havens for money laundering and transit points for smuggling. The prospect of a PIC being used as a terrorist training base has also been mentioned, though this is seen as highly improbable.

Concerns that some of the PICs are growing increasingly unstable—even becoming “failed states”—have increased in the post-9/11 world. Such categorization is too overarching, however. And a blanket policy approach is inadvisable. Action will be most effective in a manner cognizant of the local culture(s) involved. Such an approach will require careful study and analysis but would further enhance communication between PICs and the larger nations and increase the effectiveness of policy formulation and implementation.

The decision by Australia to lead a mission of “cooperative intervention” into the Solomon Islands with the assistance of New Zealand and other PICs would have been unthinkable as little as three years ago. Perhaps even more notable is the decision by the Solomon Islands Parliament to issue a clear, unambiguous invitation for the intervention. This may not signal a trend that PICs will be more willing to ask for such direct assistance, but it would seem that larger countries are today more willing to provide it.

**U.S.** emphasis in Oceania will continue to be on the North Pacific, in particular the freely associated states (the Federated States of Micronesia, Marshall Islands, and Palau). The United States will defer to Australia and New Zealand to take the lead in the South Pacific. However, U.S. concerns over offshore tax havens, passport sales, and other legal as well as clearly illegal activities will be a source of increased U.S. attention in the post-9/11 context.

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## **Introduction**

Over the last decade, most evaluations of security threats facing Pacific Island Countries (PICs) have focused on internal problems. Recent trends and events have done little to dispel such conclusions. The region has experienced the overthrow of duly elected governments in Fiji in May 2000 and in the Solomon Islands a month later. Vanuatu dealt with a police mutiny involving the arrest of several high-ranking government officials, including the attorney general. Papua New Guinea (PNG) may finally have addressed the concerns of the secessionist movement in Bougainville, but a general atmosphere of lawlessness (typified by images of *raskol* gangs) continues to threaten the legitimacy of the state, which was arguably precarious to begin with. Such events have led many scholars and policymakers to consider the region an “arc of instability.” Even more provocatively, the Solomon Islands have been described as Oceania’s first failed state, and in another catchphrase, concerns have been expressed that the region was becoming “Africanized.” Many PICs have had to deal with issues of governmental stability due to extremely fluid party coalitions, resulting in perpetual votes of no confidence. Papua New Guinea has long dealt with the problem of maintaining a government in power, another factor that has put the country’s stability into question. Nauru, with a population of about 10,000, has had ten changes of government since November 1996. In July 2003, Kiribati held its sixth presidential election in eight months. This fluidity makes it virtually impossible for a government to craft and implement policy before it has been removed from office. While eye-catching, categorizing the region as “Africanized” goes too far. Certainly, though the coups in the Solomons and Fiji were marked by violence, even those events did not reach the scale of the ethnic cleansings or wholesale failures of state institutions that one can point to in parts of Africa. The revolving-door elections, while problematic, are within constitutional procedures and are not accompanied by attendant violence (though there are some exceptions from the PNG experience).

Although internal political problems of the kind faced by Fiji and the Solomons attract the most attention, transnational threats to Oceania’s stability deserve greater attention. While it is true that no external military threat faces the PICs, this should not be taken to mean there are no threats to the islands, and that these threats do not have an external component. These transnational threats may prove just as insidious as internal ethnic divisions, but are perhaps amenable to regional or international cooperative efforts in alleviating them. These transnational threats include the smuggling of humans, drugs, and weapons, as well as the laundering of money through international tax haven systems that exist in some of the PICs. Additionally, other legal ventures and policies have become problematic in the wake of new or increased attention being paid to these ventures by other states—especially Australia and the United States—as an outgrowth of concerns over transnational terrorism in the aftermath of the September 11, 2001 attacks in the United States and the October 12, 2002 bombings in Bali.

## **Smuggling**

“Smuggling” includes three dimensions: input (bringing illicit/illegal goods into the region), extraction (taking goods from the region illegally), and transit (passing through the region with illegal/illicit goods but not necessarily intending to transact business in the region). “Goods” refers not only to inanimate objects such as drugs and guns, but exotic flora/fauna, and humans as well. Extraction is not a major focus, though there is certainly a market for exotic flora and fauna. There are also concerns on the input

side, especially with drugs and guns. Some of the PICs are seeing a rise in drug use, especially among their youth population, and the incidence of violence using firearms is blamed on the ease of obtaining high-powered weaponry. However, more sober analyses of the drugs and guns problem in the PICs suggest that the major supply of drugs and guns in the PICs originates from *within* the PICs themselves. Marijuana is locally grown, and most guns in the PICs are homemade, taken from leftover World War II armories, or taken from the local security organizations, either with or without their consent. The greatest concern is the use of PICs as transit points to someplace else, especially in the case of human smuggling. This problem now resonates with issues of transnational terrorism as terrorists may use the same routes as the smugglers, or may even use smugglers themselves to move agents from place to place without being monitored.

Regardless of motivation or cargo involved, all smuggling activity takes advantage of the fundamental lack of capacity of PICs to patrol their areas of responsibility; most notable is the inability of any PIC to effectively patrol its Exclusive Economic Zone (EEZ). The island nation of Kiribati is the most drastic example, with a total land mass about four times the size of Washington, D.C., but which is spread over an ocean area about the size of the continental United States. To cover that area, Kiribati has a single patrol boat that was given to the country by Australia. Since an increase in ships is unlikely, increased cooperation in the form of exercises, patrols, and especially the sharing of intelligence and information in a timely manner, is crucial to enhancing the capabilities of PICs in dealing with smuggling in all its facets. This cooperation must extend not only between countries, but within them as well. Communication between organizations and security personnel has simply not been adequate in the PICs. Though this problem is hardly unique to PICs, the relative smallness of their bureaucracies and deep personal networks make this communication failure perhaps more perplexing than in larger countries. The formation of Combined Law Agency Groups (CLAGs) in many states in Oceania is an attempt to alleviate this problem. The CLAG concept originated in New Zealand and draws together representatives of the various security agencies (military, police, customs, immigration, coast guard, banking, etc.) to make contacts and share information and coordinate actions. CLAGs have been established in the Cook Islands, Fiji, Kiribati, Samoa, and Vanuatu.

## **Money Laundering and Offshore Tax Havens**

In an effort to raise funds, many PICs have established offshore tax havens. These havens are not in and of themselves illegal; however, they can easily be used for nefarious purposes. These operations offer anonymity to the depositors and are attractive and useful tools to launder illicit funds or to simply hide assets. Russian organized crime is alleged to be a major benefactor in using Nauru’s offshore banking enterprise to launder its funds. Even prior to 9/11, efforts were underway to get countries to maintain greater oversight of such ventures. The Financial Action Task Force (FATF) of the Organisation for Economic Co-operation and Development (OECD) developed an international “blacklist” of noncompliant countries. Among the PICs, Nauru is still on the blacklist as of July 2003, and while Palau’s draft legislation on money laundering was enough to keep Palau off the blacklist, current reports say that several amendments are needed before the country can be considered compliant with international anti-money laundering standards. Nauru’s political leaders had been particularly defiant prior to 9/11 as to what they felt was the heavy-handed approach the FATF was taking toward Nauru and other PICs, while other nations such as Switzerland were not put under the same kind of pressure.

In early 2003 Nauru's then-President Bernard Dowiyogo, while meeting with U.S. officials in Washington, D.C., apparently promised to end Nauru's offshore tax havens as well as stop the practice of selling passports. Dowiyogo fell ill and died during the visit, precipitating the most recent round of presidential elections for Nauru. It is unclear what Nauru was to receive in exchange for this commitment, although some speculated the United States would fund the opening of Nauru's embassy in Beijing and also establish one in Washington, D.C. Those missions were opened but were closed five months later by the new president, Ludwig Scotty, who cited economic constraints and the fact that Nauru citizens were not staffing the embassies. Since the "embassy" in Washington was simply a mail drop, it is questionable whether economic constraints were a major factor in the mission's closure.

Until another source of funds can be found, establishing offshore tax havens will continue to be attractive to many PICs. However, concerns over money laundering by terrorist organizations will make these operations less politically tenable, as evidenced by the greater force behind the FATF and other diplomatic pressures.

### **The Costs of "Economic Citizenship"**

Another fund-raising venture by some PICs has been the sale of passports. Nauru, Tonga, and the RMI are some of the countries that have sold passports for revenue. These passports were sold for thousands of dollars and were attractive to those seeking to avoid tax liabilities in their original countries, or who were seeking a way to emigrate from another country. Just prior to the handover of Hong Kong to the People's Republic of China in 1997, many Hong Kong Chinese bought passports from Nauru and the Republic of the Marshall Islands (RMI), among other countries. While some Hong Kong Chinese did in fact settle in these countries, many more took advantage of the fact that holders of these passports could travel to several countries (most notably the United States and Canada) without having to get a visa. Given the RMI's free-association relationship with the United States, citizens of the RMI are able to travel, work, and settle in the United States without obtaining a visa or green card, and many purchasers of RMI passports took advantage of this provision. (Although this provision was not supposed to apply to these purchased passports, there is no doubt that many individuals essentially immigrated to the United States under an RMI passport.)

The ability to enter countries with very little oversight had been of some concern prior to 9/11, but such legal practices were not seen as a major security threat, though this certainly changed after 9/11. The PICs were directly brought into focus when reports of individuals with Al Qaeda ties were captured and were said to be carrying Nauru passports.

The concern over immigration monitoring and oversight was put forth by the United States in its negotiations with the Federated States of Micronesia (FSM) and the RMI, on the renewal of the economic provisions under the Compact of Free Association relationship that both countries have with the United States. The provisions expired in 2001 but a two-year window had been in place so long as the parties were negotiating in good faith. The negotiations concluded in 2003, and the revised agreement is awaiting approval by the U.S. Congress. (A third North Pacific country, the Republic of Palau, also has a free-association relationship with the United States, but that is not up for review until 2009.) The U.S. announcement of its intention to reevaluate the immigration procedures for the FSM and RMI was met with resistance and criticism by both countries, which feared the new oversight procedures would evolve into an attempt to limit the immigration capability of their citizens into the United States.

Such criticisms were muted significantly after 9/11, however, and have been included in the revised Compact agreement.

### **"Cooperative Intervention": Regional Security Cooperation or Neocolonialism?**

The United States is not the only country for which the security picture has changed drastically. Australia's security policy with regards to Oceania has experienced a full reversal. If 9/11 was the spark for a more internationally active United States (in terms of military activity), the Bali Bombing may be seen as a similar catalyst for Australia. Just prior to the coup in the Solomon Islands in June 2000, then-Prime Minister Bartholomew Ulafa'alu requested Australian intervention to quell the rising violence. Australia did not respond, fearing that others would see such intervention as neocolonialist, and that even if it did intervene, Australia would be caught in quagmire it had no real capacity to deal with. Caught in a no-win situation, Australia then erred on the side of inaction. After Bali and Australia's participation in the war on Iraq, however, Australia has reevaluated its international role, though this has resulted in some disapproval in the region.

Prime Minister Howard came under fire by other Asian leaders for expressing the possibility of preemptive strikes on foreign soil. Such criticism intensified in some circles when Australia announced it would lead a mission of "cooperative intervention" to restore law and order in the Solomons. Critics have tried to equate the operation with the war in Iraq; i.e., cooperative intervention means military intervention. The Australian Government, especially, has taken the brunt of this attack. However, the Howard government has taken great pains to point out that the intervention came after a formal (unanimous) invitation by the Solomon Islands Parliament. Also, both Australia and New Zealand have stressed the operation's law and order aspect, arguing that a better parallel for cooperative intervention is not "pre-emption," but the experiences in Bougainville and East Timor. In a more sober reflection, cooperative intervention seems to fall somewhere between the Bougainville and Iraq experiences, and is perhaps most similar to the operation in East Timor. The experience of monitoring first the truce and later the peace in Bougainville was an unarmed mission, and while the Solomons mission will primarily be one of restoration of law and order, there will be a heavy military presence. Of the planned initial deployment of 2,225 personnel into the Solomons, 1,745 are Australian, 1,500 of whom are military. However, unlike Timor and more like the current U.S. experience in Iraq, it is likely that the operation in the Solomons will be a long-term, ongoing project.

The Australian Strategic Policy Institute's (ASPI) report on the Solomons, *Our Failing Neighbour*, is seen by many to be the foundation (and at the very least, the catalyst) for the Solomons operation. Should the advice of the ASPI report be taken on the restructuring program to follow, Australia's commitment in the Solomons could extend over the next ten years, at the cost of AUS\$80 million annually. While the United States will continue to play a role in the North Pacific, especially regarding the freely associated states, in the end the United States will continue to depend on Australia (and to some extent, on New Zealand) to take the lead in the South Pacific region. While the Solomon Islands Government and people may support what Australia is now calling "Operation *Helpem Fren*" (Melanesian pidgin for "Help a Friend"), there are concerns in some circles as to whether this operation signals a trend toward greater interest and activity on the part of Australia in Oceania. Depending on how the level of interest and activity manifests itself, this may not be something the PICs will be comfortable with in the long term.

## Conclusions and Implications for U.S. Policy

The obvious shift in philosophy by the United States in the post-9/11 security environment is seen in statements such as the National Security Strategy (NSS), which recognizes that weak states can be as great a threat to the United States as strong states. This recognition does not automatically lead, however, to an increased direct role by the United States in the South Pacific. To some extent, increased interest and activity on the part of Australia and/or the United States will be criticized as patronizing and labeled neocolonial. (New Zealand will also be victim to some extent of such criticism, but has avoided a great deal of it through historical and cultural ties as well as a more consistent foreign policy relationship in Oceania. The South Pacific region, especially Polynesia, is seen as a top priority rather than an afterthought in New Zealand.) These criticisms are to a great extent unavoidable, and while being criticized for perhaps being *too* involved today, both Australia and the United States have been disparaged for not doing enough in the past.

The small size and populations of PICs too often overshadow the immense diversity within Oceania. The PICs are too often viewed as "all alike," and policies in (or on) one of the PICs are considered suitable for another, regardless of context. However, the diversity of the region is ignored at the peril of policymakers. The breakdown in the Solomons may be the exception that proves the rule; that while some of the PICs may be somewhat unstable, to label them as "failing" is too strong. The revolving-door elections in countries such as Nauru and Kiribati notwithstanding, the fact is that the turnover of governments has been peaceful and has occurred according to constitutional procedures with no attendant violence.

The diversity inherent in how states may be failing is also something that has garnered little attention and analysis. While events such as 9/11 have resulted in a shift in emphasis from the threat of strong states to the threat of weak ones, there is a danger in going too far in that direction. The possibility that a "failed" state will become a danger for regional/international security is certainly

beyond question, but weak states may threaten the international system differently than "failed" ones. Smugglers and terrorists looking to use PICs may thrive in failing states, where the lack of infrastructure and enforcement capability allow greater room to maneuver. However, failing states with only notional government structures make terrible money laundering facilities. These require states to have some effective infrastructure, as well as connections to the outside world and the international financial system. Chaotic, unstable, failed states with only nominal control over their territory and no infrastructure are not attractive bases for activities such as money laundering operations.

The events of September 11, 2001 have changed the security agenda of the United States, and much of this change has meant that the perception of security threats to both the United States and the PICs has begun to coincide. Larger countries are now taking concerns over smuggling and other transnational criminal activities more seriously, since these vulnerabilities can also be exploited by terrorist groups. This increased attention and harmonization of interests *could* benefit the PICs, as the larger nations may now be willing to commit more resources and training to mitigate some of these threats in the PICs before they reach their own shores. On the other hand, increased attention does not necessarily mean increased support, and a coincidence of threats does not mean that policies to deal with these threats will coincide. Common causes may not automatically lead to common approaches. For instance, the understandable desire of the United States to tighten its immigration controls (heightened immensely after 9/11) was seen by many in the freely associated states as a potential limitation on their right of visa-free entry and permanent residence in the United States. Another example is what seemed to have been an "all stick, no carrot" (or at least, very little carrot) approach the United States took in dealing with Nauru over its offshore tax haven and passport sales operations. Greater communication between the United States and the island countries will be required to ease misunderstandings. Harmonizing approaches to meet the common concerns of security between the United States and much of Oceania deserve much greater effort.



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